



International Agricultural Trade Report

December 6, 2001

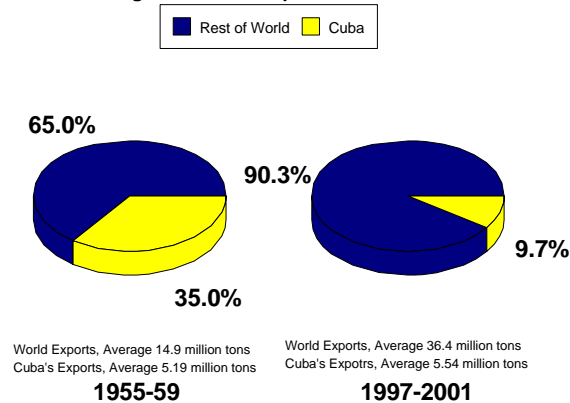
Cuba's Sugar Industry and the Impact of Hurricane Michele

Sugar's Importance to Cuba

Cuba's role as a major force in the world sugar market has diminished considerably over the past several decades (See chart). While remaining among the top global producers and exporters, Cuba is now largely a price taker as opposed to a price setter. Consequently, Cuba is more reliant on special trade arrangements with some of its principal buyers, including Russia and China, and the vagaries of the world price. Nevertheless, sugar remains Cuba's primary export, as noted in the accompanying chart.

Cuba's Share of World Sugar Exports

Average 1955-59 Compared to 1997-2001



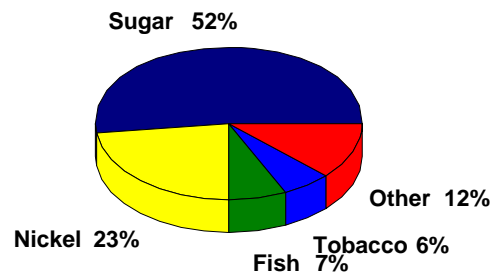
Source FAS data and International Sugar Organization

Sugar Production and Exports

Due to the absence of any hard evaluation of the Cuban situation by outside recognized experts, estimates by commodity analysts vary by more than 100,000 tons from the "official" estimate released by the Cuban Government. Normally, production ranges between 3.5 and 4 million tons. The official estimate for the 2001/02 season is currently placed at 4 million tons.

Composition of Cuban Export Earnings, Average 1995-97

Total Exports Average \$1.8 billion



Source: Sparks Companies, estimates from data of Cuba's trade partners and Cuban export data

Prior to the hurricane, USDA

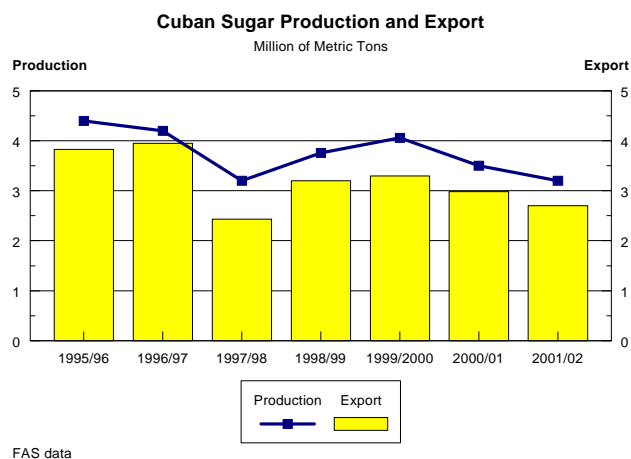
forecast Cuba's production at 3.65 million tons. From this base point, USDA reduced its estimate by 425,000 tons after evaluating news reports of possible storm damage. The 2001/02 domestic consumption estimate was reduced by 20,000 tons and stocks were lowered by 200,000 tons. Forecast exports are figured at 2.7 million tons, down 280,000 tons or 9 percent from the previous year.

Value of Exports to Fall

As noted in the accompanying chart, Cuba's sugar export value declined 50 percent from 1995/96. This decline is primarily caused by a 58-percent drop in the world price for raw sugar (from 13.9 cents/lb to an expected 8 cents/lb) and exacerbated by a 24-percent decline in export volume (from 3.6 million tons to 2.7 million tons)

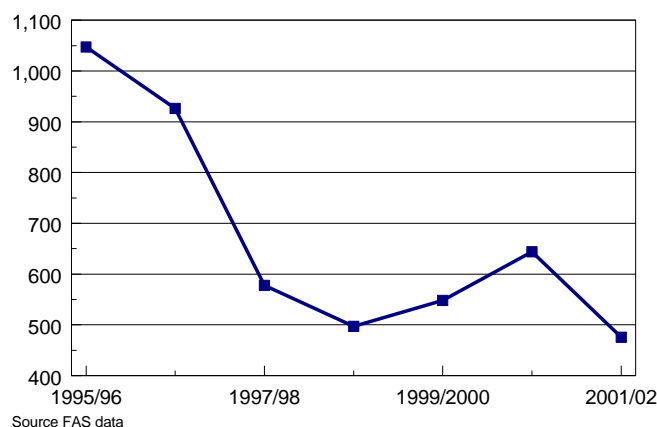
Impact of Hurricane Michele

The estimated loss in revenue for the 2001/02 crop, due to the hurricane is placed at \$75 million. Prior to the hurricane, revenues would have totaled around \$550 million rather than a currently estimated \$476 million. This loss of export revenue further complicates Cuba's ability to pay for needed imported products, which are illustrated in the accompanying chart.



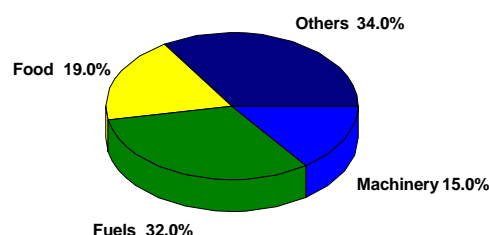
Cuba's Estimated Commercial Export Value from Sugar

Million \$



Composition of Cuban Imports: Average cost 1995-97

Total imports averaged \$3.25 billion



Source Sparks Companies, estimates from data of Cuba's trade partners and Cuban Others include semifinished goods, chemical products, consumer goods, transport equipment and raw materials

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